

Bermaz Auto (BAUTO MK)

Positive Outlook Underpinned By Earnings Recovery And Mazda's Refreshed Line-Up

Highlights

- Bermaz is anticipated to post a sequential recovery in earnings underpinned by strong sales of Mazda 3, margin expansion and improved associates' performances.
- Sales growth in the subsequent years will be supported by new models of Mazda CX-5 and a B-segment SUV, and XPeng's localisation plan.
- Upgrade to BUY with a higher target price of RM1.00 (previously RM0.75), pegged to a higher multiple of 11x FY27F PE (from 8.25x), as we turn positive on the group's improving outlook and earnings recovery.

Analysis

- 3QFY26 results preview.** We expect Bermaz Auto (Bermaz) to continue posting a sequential recovery in earnings, with 3QFY26 net profit coming in at RM20m-25m, which implied an 18-47% qoq growth. This will be mainly supported by improved sales of Mazda vehicles, where the brand registered sales of 3,118 units during Nov 25-Jan 26 (+25% qoq) as per the MAA's TIV data.
- Sales recovery from Mazda's refreshed line-up.** Bermaz's sales volume will continue to be supported by the new models of Mazda 3 and CX-60, which have received encouraging response since their initial sales in Oct 25. Based on our channel check, backlog order stands at 2,500 units for Mazda (a slight ease from 3,000 units in Nov 25 after the completion of large Mazda 3 orders), mainly comprised of Mazda 3, hence providing sales visibility throughout FY26. The group also owns adequate stocks in hand to meet the strong demand, as it recently imported 400 units of Mazda 3 with another 500 units of deliveries are expected in Apr 26.
- Bermaz is also planning to introduce the new 3rd gen CX-5 in Jul 26 and a B-segment SUV in FY28, potentially priced at below RM170,000 (new CX-5) and around RM110,000 (B-segment SUV), which would further support the group's sales growth in the next two years. Overall, we project that sales of Mazda vehicles will sustain at an average rate of 800 units per month in 1H26; before it increases to 1,000 units of monthly sales following the launch of the new Mazda CX-5.

Key Financials

Year to 30 Apr (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	3,911.0	2,622.3	2,195.5	2,257.1	2,316.9
EBITDA	473.3	249.0	155.9	173.2	182.2
Operating profit	446.5	222.0	125.9	143.9	151.4
Net profit (rep./act.)	356.0	163.4	74.9	105.4	118.6
Net profit (adj.)	356.0	163.4	74.9	105.4	118.6
EPS	30.6	14.0	6.4	9.1	9.3
PE (x)	2.3	5.0	12.9	9.1	8.9
P/B (x)	1.0	1.2	1.2	1.2	1.1
EV/EBITDA (x)	1.2	2.8	3.4	2.9	2.7
Dividend yield (%)	31.0	20.1	5.4	7.2	7.8
Net margin (%)	9.1	6.2	3.4	4.7	5.1
Net debt/(cash) to equity(%)	(37.1)	(31.7)	(53.5)	(56.4)	(59.5)
Interest cover (x)	n.a	98.8	31.2	34.6	34.4
ROE (%)	45.0	23.0	10.4	14.3	14.4
Consensus net profit	n.a	n.a	74.6	100.9	110.5
UOBKH/Consensus (x)	n.a	n.a	1.0	1.1	1.1

Source: Bermaz Auto, Bloomberg, UOB Kay Hian

BUY (Upgraded)

Share Price	RM0.83
Target Price	RM1.00
Upside	20.5%
Previous TP	RM0.75

Analyst(s)

Amerul Iqmal

ameruliqmal@uobkayhian.com

(603) 2147 1915

Stock Data

GICS sector	Consumer Discretionary
Bloomberg ticker:	BAUTO MK
Shares issued (m):	1,151.0
Market cap (RM\$m):	967.7
Market cap (US\$m):	247.9
3-mth avg daily t'over (US\$m):	0.9

Price Performance (%)

52-week high/low					RM1.18/RM0.50
1mth	3mth	6mth	1yr	YTD	
0.6	16.2	19.57	(25.0)	16.2	

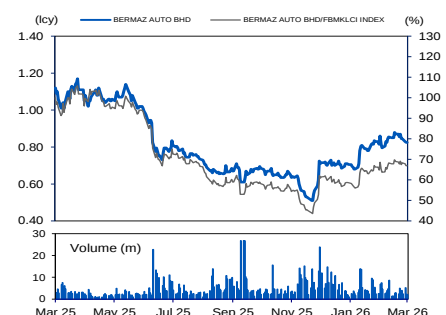
Major Shareholders

	%
Dynamic Milestone Sdn Bhd	15.37
Amanah Saham Nasional Berhad	7.58
Lembaga Tabung Haji	6.87

Balance Sheet Metrics

	%
FY26 NAV/Share (RM)	0.6
FY26 Net Debt/Share (RM)	(0.3)

Price Chart



Source: Bloomberg

Company Description

Bermaz Auto is involved in the distribution, assembling, retailing and also the provision of after sales service of Mazda vehicles in Malaysia. The group also involved in distribution of locally assembled Mazda vehicles in Malaysia and Philippines.

- **Margin expansion from ringgit appreciation.** Bermaz is a prime beneficiary of the ringgit strengthening against Japanese yen with 70% of its sales contributed by CBU models. We expect the positive currency impact to be translated into a meaningful margin expansion in 4QFY26, as the ringgit has risen by 3.2% against the Japanese yen ytd. Additionally, the recent launch of Mazda CX-5 2026 facelift in Jan 26 is expected to help Bermaz recover its margin, which was previously impacted by discounts provided to dealers for inventory clearance of aged CKD models.
- **XPeng to benefit from localisation plan.** XPeng delivered record high-sales in Dec 25 at 200 units, as per JPJ's vehicle registration data, ahead of the expiry of EVs tax incentive. However, we note that the sales momentum across the local EV market has softened in 2026 as the year-end pent-up demand started to moderate. Nonetheless, Bermaz continues to adopt competitive pricing strategy with the introduction of entry-level XPeng G6 at below RM160,000, which we expect should able to sustain the EV brand's sales at 100 units per month. XPeng's CKD plan is slated to commence in Jun 26 for XPeng G6 and Sep 26 for XPeng X9. This will allow XPeng to remain competitive in pricing amid the implementation of the CBU excise and import duties, which are compounding in nature. The group is also expected to launch 2-3 new models of XPeng in 2026.
- **Improving associates' performances.** The performance of Mazda Malaysia and Innokom, which have returned to slight profits in 2QFY26, is expected to sustain in the subsequent quarters underpinned by vehicles price revision and improved production volume in the facility. While Kia Malaysia, which remained as an associate (33.3% stake), could still record losses in the near term, the total financial impact to Bermaz will be limited up to RM20m of the group's investment cost, in which majority of the amount had been recognised in 1HFY26.

Valuation/Recommendation

- **Upgrade to BUY with a higher target price of RM1.00 (previously RM0.75),** pegged to a higher multiple of 11x FY27F PE (+0.5SD to five-year mean) from 8.25x. We believe Bermaz still has room for further re-rating from its depressed valuation over the past two years, justified by the group's near-term earnings recovery which is expected to sustain over the next two years, underpinned by new model launches under the pipeline.
- Bermaz also offers an attractive yield of above 6% at the current share price based on our FY27 DPS of 6 sen with a healthy net cash position.

Earnings Revision/Risk

- We keep our FY26-27 earnings estimates unchanged as we have factored in the anticipated sales growth from Mazda 3, but raise our FY28 earnings forecasts by 13.5%, as we expect sustained sales growth during the year supported by the launch of new Mazda B-segment SUV.

Share Price Catalyst

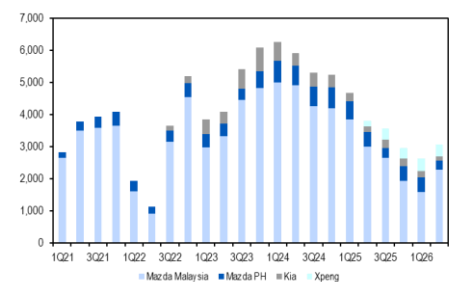
- Higher sales volume of Mazda and Xpeng.
- Lush dividend payout.

Sales Volume Assumptions

Financial Year	Malaysia (units)	Philippines (units)
2022	13,362	1,304
2023	19,688	1,682
2024	21,192	1,682
2025	13,687	1,779
2026F	11,500	1,600
2027F	12,000	1,600
2028F	12,500	1,600

Source: Bermaz Auto, UOB Kay Hian

Sales Volume By Brand



Source: Bermaz Auto, UOB Kay Hian

Environmental, Social And Governance (ESG) Updates

Environmental

- BAUTO supports the Republic Act 11285 (Energy Efficiency and Conservation Act), which institutionalises energy efficiency and conservation as a national way of life.

Social

- Mazda Medicare Fund dialysis programme channelled 100% of funds to charity.

Governance

- Complies with Malaysian code on Corporate Governance which requires independent directors (4 out of 7) to comprise the majority of the board

Profit & Loss

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Net turnover	2,622	2,195	2,257	2,316
EBITDA	249	156	173	182
Deprec. & amort.	27	30	29	30
EBIT	222	126	144	151
Associate contributions	12	(16)	5	10
Net interest income/(expense)	(3)	(5)	(5)	(5)
Pre-tax profit	231	105	144	155
Tax	(56)	(25)	(35)	(36)
Minorities	(12)	(5)	(4)	(5)
Net profit	163	75	105	118
Net profit (adj.)	163	75	105	118

Balance Sheet

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Fixed assets	46	34	22	13
Other LT assets	487	471	476	486
Cash/ST investment	434	464	502	543
Other current assets	722	677	681	678
Total assets	1,688	1,646	1,681	1,719
ST debt	226	101	101	101
Other current liabilities	361	401	400	400
LT debt	0	0	0	0
Other LT liabilities	369	370	370	371
Shareholders' equity	657	679	711	743
Minority interest	91	96	100	105
Total liabilities & equity	1,702	1,646	1,681	1,719

Cash Flow

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Operating	206	204	136	139
Pre-tax profit	231	105	144	155
Tax	(75)	(25)	(35)	(36)
Deprec. & amort.	27	30	29	30
Associates	(12)	16	(5)	(10)
Working capital changes	47	72	(4)	2
Other operating cashflows	(12)	5	5	5
Investing	70	(8)	(8)	(7)
Capex (growth)	(10)	(16)	(16)	(16)
Investments	0	1	1	2
Proceeds from sale of assets	0	0	0	0
Others	80	7	7	7
Financing	(223)	(189)	(86)	(88)
Dividend payments	(345)	(52)	(74)	(76)
Issue of shares	3	0	0	0
Loan repayment	163	(125)	0	0
Others/interest paid	(44)	(12)	(12)	(12)
Net cash inflow (outflow)	53	7	42	44
Beginning cash & cash equivalent	365	434	437	475
Changes due to forex impact	16	24	24	25
Ending cash & cash equivalent	434	464	502	543

Key Metrics

Year to 30 Apr (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.5	7.1	7.7	7.9
Pre-tax margin	8.8	4.8	6.4	6.7
Net margin	6.2	3.4	4.7	5.1
ROA	9.4	4.4	6.1	6.2
ROE	23.0	10.4	14.3	14.4
Growth				
Turnover	(33.0)	(3.0)	2.8	2.6
EBITDA	(47.4)	(37.4)	10.9	5.2
Pre-tax profit	(53.2)	(54.5)	37.1	7.6
Net profit	(54.1)	(54.2)	40.0	12.4
Net profit (adj.)	(54.1)	(54.2)	40.0	12.4
EPS	(54.1)	(54.2)	40.0	12.4
Leverage				
Debt to total capital	30.2	13.0	12.5	11.9
Debt to equity	34.4	14.9	14.2	13.6
Net debt/(cash) to equity	(31.7)	(53.5)	(56.4)	(59.5)
Interest cover	98.8	31.2	34.6	34.4

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link:
<https://research-api.uobkayhian.com/assets/disclaimer/df64a6ea-7980-447c-ae9e-fd19b93257dc> or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."